

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren)
Energy Delivery Ohio, Inc. for Approval of) Case No.18-0049-GA-ALT
an Alternative Rate Plan.)

In the Matter of the Application of Vectren)
Energy Delivery Ohio, Inc. for Approval of) Case No.18-0298-GA-AIR
an Increase in Gas Rates.)

In the Matter of the Application of Vectren)
Energy Delivery Ohio, Inc. for Approval of) Case No.18-0299-GA-ALT
an Alternative Rate Plan.)

**DIRECT TESTIMONY OF BRIAN EARHART
ON BEHALF OF
INTERSTATE GAS SUPPLY, INC.
AND
THE RETAIL ENERGY SUPPLY ASSOCIATION**

January 17, 2019

1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Please state your name and by whom you are employed.**

3 A. My name is Brian Earhart. I am employed by Interstate Gas Supply, Inc. ("IGS") in the
4 position of Manager, Gas Supply & Risk. My business address is 6100 Emerald
5 Parkway, Dublin, Ohio 43016.

6 **Q. On whose behalf are you testifying?**

7 A. I am testifying on behalf of IGS and the Retail Energy Supply Association ("RESA").

8 **Q. Please describe your educational background and work history.**

9 A. I received a bachelor's degree in business administration with a specialization in
10 transportation and logistics from The Ohio State University in 2002. Immediately upon
11 graduating I began my career in the energy field at IGS Energy where I have worked
12 continuously for 16 years in various roles of increasing responsibility. In 2015, I was
13 promoted to Gas Supply & Risk Manager, a title I hold today. I am responsible for
14 managing the scheduling and trading group for part of IGS' service territory which
15 includes all of Ohio, including Vectren Energy Delivery of Ohio, Inc.'s service territory.

16 **Q. Have you submitted testimony in regulatory proceedings before?**

17 A. Yes in this proceeding and in Michigan Public Service Commission Case No. U-17941-
18 R.

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to support certain portions of the Stipulation I identify in
21 my testimony. Particularly, I support the proposed modifications to the Imbalance

1 Trading provisions, which bring Vectren's tariff requirements largely in line with practices
2 that were in effect prior to September 2018.

3 **II. IMBALANCE TRADING**

4 **Q. What is Imbalance Trading?**

5 A. Imbalance trading is a process through which Pool Operators can trade with each
6 other to ensure gas deliveries remain within a specified tolerance level relative to
7 actual pool usage.

8 **Q. How does Imbalance Trading work?**

9 A. Vectren issues an initial imbalance statement of daily and monthly imbalances (i.e.,
10 prior to imbalance trades) to Pool Operators within ten (10) business days following
11 the end of the month. Pool Operators are allowed to trade with each other to help
12 avoid penalties and to bring themselves within the 15% daily tolerance obligation.
13 Historically, this trading period has been a three (3) day window in which Pool
14 Operators are allowed to make trades. To illustrate this process, if Pool Operator A is
15 10% short on a day and Pool Operator B was 20% short on that same day, Pool
16 Operator A could sell to Pool Operator B gas to bring up its negative balance to within
17 the 15% tolerance level.

18 **Q. Has Vectren recently made changes to Imbalance Trading?**

19 A. Yes. In September 2018, Vectren made changes to the way imbalance trading is
20 treated. First, Vectren shortened the trading period from 3 days to 2 days. Second and
21 more importantly, Vectren prohibited Imbalance Trading as described above. Under the
22 new protocols, if Pool Operator A is 10% short, it can no longer sell gas to anyone even
23 though the tariff allows them a 15% tolerance on any given day. Vectren is now only

1 permitting Imbalance Trading if it brings the Pool Operator's balance closer to zero.
2 Based upon IGS' experience during September 2018, it has become nearly impossible
3 to trade imbalances under the new paradigm.

4 **Q. Does Imbalance Trading affect the physical gas that is brought onto the system?**

5 A. No. It is important to keep in mind that this process takes place after the natural gas is
6 delivered and after the month has ended. Vectren separately balances the system on
7 a daily basis by using TCO storage assets paid for by Choice and SCO Suppliers.

8 **Q. What purpose does Imbalance Trading serve?**

9 A. Imbalance trading allows Pool Operators to avoid daily and monthly penalties. Since
10 Pool Operators are not privy to real-time metering and forecasts are not always
11 reliable, Pool Operators sometimes fall outside of the allowable +/- 15% tolerances. In
12 addition, meter reads provided by Vectren to the Pool Operators can be sporadic or
13 are not accounted for on the report. Therefore, the Pool Operators have no idea what
14 the customer has used on a particular day.

15 **Q. Did Vectren propose any changes to Imbalance Trading between GTS Pool
16 Operators?**

17 A. Yes. The Application proposed to change the manner in which imbalance trading
18 occurs, though there is some ambiguity in the Application as to what those changes
19 required.

20 **Q. Does the Stipulation address Imbalance Trading?**

21 A. Yes, it does. The Stipulation modifies the title of Imbalance Trading to the Trading of
22 Delivered Gas. But, for all intensive purposes, the Stipulation recommends that the

1 Commission authorize imbalance trading rules that are very close to the practice that
2 was in place prior to September 2018. The Stipulation provides helpful certainty to
3 market participants and Vectren, given the abrupt changes and ambiguity that have
4 existed from September 2018 to the present day.

5 **Q. Are the provisions in the Stipulation related to Imbalance Trading/Trading of**
6 **Delivered Gas reasonable?**

7 A. Yes, as I stated above, the Stipulation proposes to revert back to the long-standing
8 practice that was in place prior to September 2018. The Choice and SCO providers
9 have historically balanced the system well under these protocols; therefore, it would be
10 appropriate to provide certainty on a going-forward basis that these protocols will
11 continue.

12 **Q. Does this conclude your supplemental testimony?**

13 A. Yes, however, I reserve the right to further supplement this testimony.

14

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 17th day of January 2019 upon all persons/entities listed below:

whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com
rust@whitt-sturtevant.com
kennedy@whitt-sturtevant.com
fdarr@mcneeslaw.com
mpritchard@mcneeslaw.com
jstephenson@vectren.com
Werner.magard@ohioattorneygeneral.gov
William.michael@occ.ohio.gov
Christopher.healey@occ.ohio.gov
amy.botschner.obrien@occ.ohio.gov
cmooney@ohiopartners.org
mfleisher@elpc.org
talAlexander@calfee.com
slesser@calfee.com
mkeaney@calfee.com
joliker@igsenergy.com
mnugent@igsenergy.com
Thomas.jernigan.3@us.af.mil
Andrew.unsicker@us.af.mil
Darryl.brown@us.af.mil

/s/ Gretchen L. Petrucci _____

Counsel for the Retail Energy Supply Association